

EXHIBIT 3DATE 02/21/13HB 2

MONTANA SECRETARY OF STATE

LINDA McCULLOCH

Anticipated & Unexpected Fiscal Obligations for the Office of the Secretary of State (Including Comparison to SOS FY14-15 Budget)

Potential SOS Fiscal Obligation FY14-FY15	Estimated Cost	In FY14-15 SOS Budget
<p>Remaining contracted costs for the replacement of the office's legacy business filing system. This replacement is titled the Secretary of State Information Management System (SIMS).</p> <ul style="list-style-type: none">SOS is currently in the first phase of an approved and signed contract to update this antiquated and paper-based filing system. Three phases remain.This project was developed and agreed to by the previous administrationUpon taking office, Secretary McCulloch was able to downsize the contract by \$1,100,000.	\$2,718,385	No
<p>SOS costs associated with the development and implementation of SIMS, which are not included in the signed contract.</p> <ul style="list-style-type: none">This includes costs for SOS staffing and system hosting with the vendor.	\$477,000	\$117,000 SOS Staff
<p>Estimated cost of digitizing original paper-based business filing documents dating back to statehood.</p> <ul style="list-style-type: none">SIMS will require that all business filings with SOS be available in a digital form.	\$1,000,000	No
Annual SOS cost for ongoing support and maintenance of SIMS – FY15	\$150,000	Yes
<p>Northrop-Grumman's (NG) annual cost for maintaining the current business filing system until SIMS is fully operational.</p> <ul style="list-style-type: none">NG is the only contractor in Helena willing to maintain the legacy business filing system on the state mainframe. They currently charge \$123/hr for service. This charge includes not only actual work done to the system, but also includes costs for creating estimates required in legislative fiscal notes.	\$61,500 Annual cost	Yes
<p>IT vendor billing or SOS costs associated with implementing legislation under consideration in the 2013 legislative session.</p> <ul style="list-style-type: none">As of January 31, in the 2013 session, four introduced bills could have a total fiscal impact to SOS of \$344,088. If any of these bills pass, SOS may have to pay the cost of implementation without assistance from the general fund.<ul style="list-style-type: none">SB 22 = \$88,745HB 297 = \$17,343HB 212 = \$70,000SB 206 = \$168,000HB 158 = \$4,510HB 400 = \$833,000HB 410 = \$7,500	\$1,189,098 As of 2/15/13	No

Biennial system support, maintenance and SOS staff costs for the statewide voter registration and elections management system (MT Votes), as mandated by the federal Help America Vote Act (HAVA) of 2002. Montana's share of federal HAVA funds for MT Votes is expected to be depleted by the end of FY13. No additional federal funds are anticipated to be allocated by Congress.	\$1,384,466	No
Estimated cost of implementing an electronic data exchange with the Motor Vehicle Division to the MT Votes system. The current, antiquated paper process between the driver exam stations and the county Clerk and Records' offices is error-prone, and creates a large lag time in voter registration. This is particularly critical in the last few weeks leading up to a statewide election.	\$112,000	No
Estimated cost of implementing online voter registration to MT Votes, enabling voters to register to vote electronically on the SOS website.	\$160,000	No
Cost of completing the online Administrative Rules system. <ul style="list-style-type: none"> SOS canceled the 2008 contract with the system vendor after 64 fatal errors were detected by SITSD. At the time, the system was hosted in Florida. SOS has since moved the system to the state data center. The system is now maintained in-house by SOS staff and awaiting further development. 	\$360,000	No
Online candidate filing enhancements. <ul style="list-style-type: none"> Current online candidate filing system is a silo application, not connected to the ballot creation and election night reporting system. 	\$50,000	No
SITSD increase in service costs for FY14-15. <ul style="list-style-type: none"> 12% increase for current & required services 10% costs for additional services 	\$137,188	Yes - \$72,075 No - \$65,112
Estimated cost of development of an online notary listing system.	\$50,000	No
Unanticipated computer equipment replacement FY14.	\$30,000	No
Potential decrease in business filing revenue in a future fiscal year. <ul style="list-style-type: none"> Projected revenue for the Business Services Division is uncertain because the number of documents filed with the Division depends on the stability of the economy. Business filings can increase or decrease as much as 6% to 13% per year based on an upturn or downturn in the economy. 	Unknown	Unknown
Major unexpected repair and maintenance of SOS's two leased buildings that house the Notary, Administrative Rules, IT, and Records Management Divisions.	Unknown	Unknown
SOS compliance with the state pay plan as proposed in HB13 for FY14 and FY15	\$213,538	Yes
SOS Employee Retirement Payout Liability (leave payouts) <ul style="list-style-type: none"> Currently, 47% of SOS employees are eligible to retire based on MPERA requirements and 26% have more than 20 years of service. 	\$176,880	No

Total	Minimum \$8,270,055
--------------	----------------------------